

CITY OF EPWORTH

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015**

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CITY OF EPWORTH

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|---|---------------------------------|
| Tom Gassman | Mayor | Resigned Sep. 9, 2014 |
| Jacob Reuter | Mayor (Appointed Sep. 9, 2014) | Nov. 3, 2015 |
| Larry Biermann | Council Member | Jan. 2016 |
| Dana Nederman | Council Member | Jan. 2016 |
| Marty Horsfield | Council Member | Jan. 2018 |
| Gary Gansen | Council Member | Jan. 2018 |
| Jacob Reuter | Council Member | Appointed Mayor Sep. 9, 2014 |
| Karen Conrad | Council Member (Appointed Oct. 14, 2014) | Nov. 3, 2015 |
| Janet Berger | City Clerk/Treasurer | Indefinite |
| Fuerste, Carew, Juergens And Sudmeier | Attorney | Indefinite |

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and
Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Epworth for the period July 1, 2014 through June 30, 2015. The City of Epworth's management, which agreed to the performance of the procedures performed, are responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended Chart of Accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended Chart of Accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization, and accurate accounting.

15. We reviewed the annual certified budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

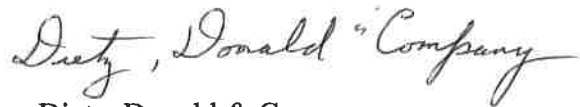
These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Epworth, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Epworth and other parties to whom the City of Epworth may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Epworth during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

September 21, 2015



Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

DETAILED RECOMMENDATIONS

CITY OF EPWORTH
DETAILED RECOMMENDATIONS
For the Period July 1, 2014 through June 30, 2015

(A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one employee has control over each of the following areas of the City:

- (1) Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Debt - recordkeeping, compliance and debt payment processing.
- (3) Journal entries - preparing and journalizing.
- (4) Computer system - performing all general accounting functions and controlling all data input and output.
- (5) Financial reporting - preparing and reconciling.

Recommendation - Although segregation of duties is difficult with a limited number of employees, the City has made a concerted effort to distribute duties among available staff. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

CITY OF EPWORTH
DETAILED RECOMMENDATIONS
For the Period July 1, 2014 through June 30, 2015

- (B) Business Transactions - Business transactions between the City and City officials are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Jacob Reuter, Mayor Vice- President/CFO/Shareholder East Iowa Mechanical | Dump truck services and repairs | \$ 9,192 |

In accordance with Chapter 362.5(K) of the Code of Iowa, these transactions may represent a conflict of interest since total transactions were more than \$ 2,500 during the fiscal year. However, the City received competitive bids for dirt work and dump truck rental performed by the Company. Other work performed by the Company, though, still exceeded \$ 2500 and should have been competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- (C) Payment of General Obligation Bonds - Interest on the City's general obligation sanitary sewer bonds was paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (D) Form 1099 Compliance - The City did not issue 1099s to all required vendors.

Recommendation - Vendor lists should be reviewed in January when preparing 1099s.